

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name SAGINAW COUNTY ROAD COMMISSION	County SAGINAW
Fiscal Year End 09/30/06	Opinion Date 01/11/07	Date Audit Report Submitted to State 02/27/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	NOT REQUIRED NO ISSUES REPORT TO THE COMMISSIONERS	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) GARDNER, PROVENZANO, SCHAUMAN & THOMAS, P.C.		Telephone Number 989-790-3900	
Street Address 4855 STATE STREET SUITE SIX		City SAGINAW	State Zip MI 48603
Authorizing CPA Signature 		Printed Name HEATHER A. THOMAS	License Number 1101024719



**Gardner | Provenzano
Schauman & Thomas**

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

SAGINAW COUNTY ROAD COMMISSION

Saginaw, Michigan

**Financial Statements
September 30, 2006**

Contents

	<u>Page Number</u>
Independent Auditor's Report	
Management's Discussion and Analysis	1
Basic Financial Statements	9
Financial Statements	
Statement of Net Assets and Governmental Fund Balance Sheet	10
Reconciliation of Governmental Fund Balance to Net Assets of Governmental Activities	11
Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statement of Activities	13
Notes to Financial Statements	14
Required Supplemental Information	26
Budgetary Comparison Schedule	27
Additional Supplemental Information	28
Analysis of Revenues, Expenditures, and Changes in Fund Balance	29
Schedule of Federal Financial Awards	31
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <u>Government Auditing Standards</u>	32



Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

INDEPENDENT AUDITOR'S REPORT

January 11, 2007

Members of the Board
of County Road Commissioners
of Saginaw County
Saginaw, Michigan

We have audited the accompanying financial statements of the governmental activities of the Saginaw County Road Commission, a component unit of Saginaw County, as of and for the year ended September 30, 2006, which comprise the Road Commission's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Saginaw County Road Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Saginaw County Road Commission as of September 30, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Members of the Board
of County Road Commissioners
of Saginaw County
Page Two

In accordance with Government Auditing Standards, we have also issued our report dated January 11, 2007, on our consideration of the Saginaw County Road Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The additional supplemental information is presented for purposes of additional analysis and is not a required part of basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements of Saginaw County Road Commission and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Gardner, Provenzano, Schauman & Thomas, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

INTRODUCTION

The Saginaw County Road Commission (SCRC) is a special purpose government engaged in a single government program of road and bridge maintenance and construction in the County of Saginaw, Michigan. The adoption of GASB-34 in FY03 changed the SCRC financial statement presentation. In the past, governmental entities were required to report financial information only on the modified accrual accounting method. The modified accrual method of accounting focuses on current available resources and is referred to as governmental fund level accounting. Now, in addition to the governmental fund level information, governmental entities are also required to report financial information on the full accrual method of accounting. The full accrual method of accounting focuses on the entity as a whole and is referred to as government-wide level accounting. For SCRC, the most significant differences between the governmental fund statements and the government-wide statements relate to capital assets (buildings and equipment) and infrastructure (roads, bridges, and signals). Capital assets and infrastructure are not recognized as assets and are not capitalized at the governmental fund level.

As allowed for single purpose governments, the Statements of Net Assets and the Statement of Activities, the fund level financial statements and the government-wide financial statements have been combined and are presented on the same page.

The audited financial activities of SCRC are presented herein. These statements include the following:

- Statement of Net Assets and Governmental Fund Balance Sheet,
- Reconciliation of the Balance Sheet Fund Balance to the Statement of Net Assets,
- Statement of Activities and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance, and
- Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

CONDENSED FINANCIAL STATEMENTS

The following are condensed government-wide financial statements for SCRC.

Condensed Statement of Net Assets

	Assets	2006	2005
Current		\$ 10,473,207	\$ 10,077,904
Capital assets		143,813,900	137,655,976
Total Assets		<u>\$ 154,287,107</u>	<u>\$ 147,733,880</u>
	Liabilities		
Current		\$ 1,277,973	\$ 1,252,945
Long-term liabilities		653,950	680,750
Total Liabilities		<u>\$ 1,931,923</u>	<u>\$ 1,933,695</u>
	Net Assets		
Restricted		\$ 8,541,284	\$ 8,144,209
Invested in capital assets - net of related debt		143,813,900	137,655,976
Total Net Assets		<u>\$ 152,355,184</u>	<u>\$ 145,800,185</u>

Condensed Statement of Activities

	Revenue	2006	2005
Federal and State Revenue		\$ 18,927,216	17,054,908
Contributions from Local units		2,302,041	2,919,393
Other, including charges for services		3,091,712	1,716,855
Total Revenue		<u>24,320,969</u>	<u>21,691,156</u>
	Expenses		
Primary preventive/routine maintenance		3,382,241	3,257,504
Local preventive/routine maintenance		5,384,803	4,826,606
Depreciation		7,260,721	7,076,418
Administrative		1,023,788	979,706
Other		714,417	700,841
Total Expenses		<u>17,765,970</u>	<u>16,841,075</u>
Change In Net Assets		<u>\$ 6,554,999</u>	<u>\$ 4,850,081</u>

FINANCIAL ANALYSIS OF THE COMMISSION AS A WHOLE

The total net assets increased by \$6,554,999 during FY2006. The net assets and changes in net assets are summarized below.

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

FINANCIAL ANALYSIS OF THE COMMISSION AS A WHOLE (cont.)

Net Assets

Restricted net assets are those net assets that have constraints placed on them by either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purpose stipulated in the legislation. As such all assets (except for assets invested in capital assets, net of related debt) are considered restricted.

The restricted net assets increased by \$397,075 during 2006. The primary reason for the increase was many local projects planned for completion in the year ended September 30, 2006, were not completed until the first quarter of the next year.

The investment in capital assets, net of related debt increased by \$6,157,924. The increase in net assets is primarily the result of the reporting additional investment in infrastructure \$13,779,063 for the year 2006. The depreciation for the current year's infrastructure will be depreciated in the subsequent year.

THE ROAD COMMISSION'S FUND

The Road Commission's general operations fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the County which are earmarked by law for road and highway purposes.

During FY2006, the General Fund balance increased by \$370,275 or 4% of the beginning General Fund balance. A major component of the increase is due to the modification of Federal/State projects and the postponement of local projects.

Management believes that the General Fund balance provides sufficient working capital to support future operations of SCRC.

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

BUDGET

The SCRC budget is prepared in accordance with state law using the modified accrual accounting basis. This is the same accounting basis used for the General Fund.

ORIGINAL BUDGET VERSUS AMENDED BUDGET

The 2006 budget was adopted in September 2005. The budget is reviewed periodically and amended as information becomes available or management's plans change. The amended budget for revenue was increased by \$4,144,242. This increase is mainly due to the following issues:

Federal/State Revenue: The budget for Federal/State revenue was increased by \$1,478,242. This majority of this increase was due to the addition of a large critical bridge project. The remainder was due to the addition of two safety projects and non-road related projects.

Private Source Contributions: With the new GASB-34 rules, we are required to report the roads in subdivisions that are built by developers and then accepted by us for maintenance purposes as private contributions. At the beginning of the year, no data is available to inform us of the value of subdivisions to be built over the course of the fiscal year; therefore no revenue of private contributions is budgeted. We amended the budget to reflect estimated contributions of \$2,370,000.

Total budgeted expenditures increased from the original budget to the amended budget by \$2,849,400. This increase is due to a combination of both increases and decreases as follows:

Construction/Capacity Improvements: The increase of \$3,088,411 was mainly due to recording of the value of the subdivisions donated by developers. The remaining amount of the variance was due to higher than originally anticipated costs relating to the Burt road over Flint River project and also due to additional aggregate asphalt base on the Dixie @ Junction project.

Preservation/Structural Improvements: The decrease of \$926,492 is due to the delay of several of the Manager's primary projects because of high asphalt costs. Some expenditures were moved from Preservation /Structural Improvements to Preventive/Routine Maintenance and Construction/Capacity Improvements.

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

ORIGINAL BUDGET VERSUS AMENDED BUDGET (cont.)

Preventive/Routine Maintenance: The increase of \$525,174 is due mainly to the increased price of asphalt which in turn increased the price of sealcoat. The increased maintenance costs were also due to increased fuel prices.

AMENDED BUDGET VERSUS ACTUAL

The actual revenue exceeded the final budget by \$74,908. Significant variances are as follows:

Federal Revenue: Federal revenue was less than anticipated in the amount of \$406,138 due to the postponement of projects to the 1st quarter of FY2007.

Private Source Contributions: The actual value of subdivisions accepted by the Saginaw County Road Commission was greater than anticipated, thus a variance of \$247,902.

The actual expenditures were less than the final amended budget by \$1,208,806. Significant variances are as follows:

Construction/Capacity Improvements: This category was under budget by \$290,123. This variance was mainly due to recording of the value of the subdivisions donated by developers.

Preservation/Structural Improvements: This category was under budget by \$1,765,906. The variance can be attributed to the modification of the Manager's Primary projects and the lack of local road projects requested by the Townships, along with the associated decrease in distributive costs.

Preventive/Routine Maintenance: This category was over budget by \$774,943. The variance is due to a portion of the preservation/structural improvements expenditures moved to this category. Also the increase can be associated with the material costs associated with the Townships requesting more brining, seal coating (and related sweeping operation) and gravel maintenance. This also resulted in an increase of distributive expenses being allocated to this category.

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

CAPITAL ASSETS

SCRC has capital assets for full accrual accounting purposes, net of accumulated depreciation, of \$143,813,900, which is an increase of \$6,157,924. This information, which includes infrastructure, is summarized below.

	2006	2005
Land and improvements	\$ 32,518,142	\$ 30,456,411
Buildings	2,538,656	2,538,656
Road equipment	11,599,743	11,202,684
Other equipment	965,472	885,352
Infrastructure assets	199,837,764	188,118,157
Total Capital Assets	247,459,777	233,201,260
Accumulated Depreciation	(103,645,877)	(95,545,284)
Net Capital Assets	\$ 143,813,900	\$ 137,655,976

The SCRC added \$13,779,063 in infrastructure assets and \$924,966 in road and other equipment this fiscal year.

Additional information regarding capital assets is located in the notes to the financial statements.

Long-Term Debt

At year-end, the SCRC's long-term debt consisted of compensated absences (accumulated sick and vacation pay) in the amount of \$653,950. More detailed information about the SCRC long-term debt is located in the notes to the financial statements.

OTHER

Management is not aware of any currently known facts, decisions, or conditions expected to have a significant effect on next year and beyond on the SCRC financial condition. However, the SCRC is looking into the purchasing of land and related salt barn, and possibly a new maintenance garage.

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

**CONTACTING THE SAGINAW COUNTY ROAD COMMISSION'S
MANAGEMENT**

This financial report is intended to provide our citizens and customers with a general overview of the Saginaw County Road Commission's finances and to show the Saginaw County Road Commission's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Director of Finance and Benefits at 3020 Sheridan Avenue, Saginaw, Michigan 48601.

BASIC FINANCIAL STATEMENTS

SAGINAW COUNTY ROAD COMMISSION
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2006

	General Fund	Adjustments	Statement of Net Assets
ASSETS			
Cash	\$ 100,441	\$ -	\$ 100,441
Investment	6,878,311	-	6,878,311
Accounts Receivable			
State Transportation Department	2,209,983	-	2,209,983
Sundry	7,270	-	7,270
Cities, Townships and Villages	579,763	-	579,763
Interest	23,799	-	23,799
Inventories			
Equipment materials and parts	124,860	-	124,860
Road materials	222,943	-	222,943
Prepaid expense	325,837	-	325,837
Capital assets, net of accumulated depreciation	-	143,813,900	143,813,900
Total Assets	<u>\$ 10,473,207</u>	<u>\$ 143,813,900</u>	<u>\$ 154,287,107</u>
LIABILITIES			
Accounts payable	\$ 486,373	\$ -	\$ 486,373
Accrued liabilities	98,263	-	98,263
Deposits	358,949	-	358,949
Due to former employees	18,537	-	18,537
Due to State of Michigan	310,824	-	310,824
Deferred revenues	5,027	-	5,027
Compensated absences-due in more than one year	-	653,950	653,950
Total Liabilities	<u>1,277,973</u>	<u>653,950</u>	<u>1,931,923</u>
FUND BALANCE/NET ASSETS			
Fund Balances:			
Restricted for County Roads	9,195,234	(9,195,234)	-
Total Fund Balance	<u>9,195,234</u>	<u>(9,195,234)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 10,473,207</u>		
Net Assets:			
Invested in capital assets, net of related debt		143,813,900	143,813,900
Restricted for County Roads		8,541,284	8,541,284
Total Net Assets		<u>\$ 152,355,184</u>	<u>\$ 152,355,184</u>

See accompanying notes to the basic financial statements.

SAGINAW COUNTY ROAD COMMISSION
RECONCILIATION OF GOVERNMENTAL FUND BALANCE TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
SEPTEMBER 30, 2006

Total governmental fund balance	\$ 9,195,234
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	143,813,900
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(653,950)
Net Assets of Governmental Activities	<u>\$ 152,355,184</u>

See accompanying notes to the basic financial statements.

SAGINAW COUNTY ROAD COMMISSION
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT
OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	General Fund	Adjustments	Statement of Activities
Revenue			
Federal	\$ 3,999,062	\$ -	\$ 3,999,062
State	14,928,154	-	14,928,154
County			
City and Villages	271	-	271
Township	2,174,084	-	2,174,084
Other government	127,686	-	127,686
Interest	245,148	-	245,148
Charge for services	118,651	-	118,651
Miscellaneous	34,041	-	34,041
Gain on disposal	75,970	-	75,970
Private source contributions	2,617,902	-	2,617,902
Total Revenue	<u>24,320,969</u>	<u>-</u>	<u>24,320,969</u>
Expenditures/expense			
Primary construction/capacity improvements	489,574	(489,574)	-
Local construction/capacity improvements	5,476,652	(5,476,652)	-
Primary preservation/structural improvements	4,737,093	(4,737,093)	-
Primary preventive/routine maintenance	3,382,241	-	3,382,241
Local preservation/structural improvements	3,075,744	(3,075,744)	-
Local preventive/routine maintenance	5,384,803	-	5,384,803
Administrative	1,050,587	(26,799)	1,023,788
Net equipment expense	381,769	-	381,769
Net capital outlay			
Capital outlay	924,966	(924,966)	-
Depreciation	(1,285,383)	1,285,383	-
Infrastructure Depreciation	-	7,260,721	7,260,721
Drain assessment	243,327	-	243,327
Other Non-road	89,321	-	89,321
Total Expenditures/expense	<u>23,950,694</u>	<u>(6,184,724)</u>	<u>17,765,970</u>
Excess of Revenue Over (Under) Expenditures	370,275	(370,275)	-
Change in Net Assets	-	6,554,999	6,554,999
Fund Balance/Net Assets - Beginning of Year	8,824,959	136,975,226	145,800,185
Fund Balance/Net Assets - End of Year	<u>\$ 9,195,234</u>	<u>\$ 143,159,950</u>	<u>\$ 152,355,184</u>

See accompanying notes to the basic financial statements.

SAGINAW COUNTY ROAD COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Net Change in fund balance--total governmental funds	\$ 370,275
--	------------

Amounts reported for governmental activities in the statement
are different because:

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those
assets is allocated over their estimated useful lives as
depreciation expense. This is the amount by which capital
outlays exceeded depreciation in the current period. Equipment
retirement is recorded as an expenditure credit in governmental
funds, but not recorded as an expense in the statement of activities.

Capital outlay	14,694,966
Depreciation	(8,537,041)

Some expenses reported in the statement of activities do not require
the use of current financial resources and therefore are not reported
as expenditures in governmental funds. (Increase in compensated
absences)

26,799

Change in net assets of governmental activities	<u>\$ 6,554,999</u>
---	---------------------

See accompanying notes to the basic financial statements.

NOTES TO FINANCIAL STATEMENTS

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Saginaw County Road Commission's financial statements are prepared in accordance with United States generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with GASB pronouncements. The more significant accounting policies established in GAAP and used by the Commission are discussed below.

A. Reporting Entity

The Commission, which is established pursuant to County Road Law (MCL 224.1), is governed by a three-member board of County Road Commissioners appointed by the Saginaw County Board of Commissioners. The Commission is a component unit of the Saginaw County and its financial statements are an integral part of the comprehensive annual financial report of the Saginaw County.

Based upon GASB Statement 14, which establishes criteria for determining the reporting entity, these financial statements present the Saginaw County Road Commission, a discretely presented component unit of Saginaw County, and include the Commission's general operations fund.

The Commission's Operating Fund is used to control the expenditures of Michigan Transportation Fund moneys distributed to the County, which are earmarked by law for street and highway purposes. The Board of County Road Commissioners is responsible for the administration of the Road Commission Operating Fund.

B. Government-Wide Statements and Fund Financial Statements

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the activities of the Saginaw County Road Commission. There is only one fund reported in the government-wide financial statements.

This government-wide approach is focused more on the sustainability of the Commission as an entity and the change in the Commission's net assets from the current year's activities.

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

B. Government-Wide Statements and Fund Financial Statements (continued)

Separate financial statements are provided for the Operating Fund (governmental fund). The Operating Fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

C. Measurement Focus, Basis of Accounting, Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the SCRC considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Michigan transportation funds, grants, permits, township contributions and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

D. Assets, Liabilities, and Net Assets or Equity

Cash, Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Inventories

Inventories are priced at cost as determined on the average unit cost method. Inventory items are charged to road construction and maintenance, equipment repairs and operations as used.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expense in both the government-wide and fund financial statements.

E. Capital Assets and Depreciation

Capital assets purchased or acquired are reported at historic cost. Contributed assets are reported at fair market value when received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are capitalized and depreciated according to State guidelines. Depreciation is computed on the sum-of-the-year's-digits methods for road equipment and straight-line method for all other capital assets over the following estimated useful lives:

	<u>Years</u>
Buildings	25 – 50
Road equipment	5 – 8
Other equipment	4 – 20
Infrastructure	5 – 50

GASB 34 requires the Commission to report and depreciate infrastructure assets in its government-wide statements. Infrastructure assets include roads, bridges, traffic signals, etc. Neither these assets nor related depreciation have historically been reported in the financial statements issued before the adoption of GASB 34. The Commission has implemented the general provisions and the retroactive infrastructure reporting requirements in the year of GASB 34 adoption.

F. Budgets and Budgetary Accounting

The Road Commission follows these procedures in establishing the budgetary data reflected in the financial statements:

- A budget is adopted by the Board of County Road Commissioners of Saginaw County prior to October 1 of each year. The budget includes proposed expenditures and a means of financing them.

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

- The Saginaw County Road Commission approved budget is then submitted to the Saginaw County Board of Commissioners.
- The budget is prepared by the Road Commission on a basis consistent with U.S. generally accepted accounting principles and revised as deemed necessary during the year.
- Budgets are prepared using the modified accrual basis of accounting.
- The budgetary information presented has been amended throughout the year.
- The chief administrative officer is authorized to transfer up to 25% of a line item amount approved in the General Appropriations Act to another line item without prior approval, but subject to approval of the Board of County Road Commissioners at their next regular Board Meeting.

Law requires budget amendments as needed to prevent actual expenditures from exceeding those provided in the budget. Expenditures, which exceeded appropriations, are illustrated in required supplemental information.

G. Liabilities

Accounts Payable

Accounts payable consist of items from which the Commission benefited during the current fiscal year but have not yet paid.

Accrued Expenses

Accrued expenses consist mainly of employee salaries, wages, and related payroll taxes.

Deferred Revenue

Deferred revenue consists of prepaid permits.

Compensated Absences

Consists of amounts due to employees for sick and vacation time.

Due to State of Michigan

Consists of amounts due to the State for the Commission's portion of projects.

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Deposits

Performance deposits are amounts paid by contractors and held by the Commission until the projects are completed and inspected.

NOTE 2—CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Road Commission to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

At year-end, the carrying amount of the commission's deposits was \$6,978,752. The bank balance and county balance was \$7,315,652. Of the bank balance, \$100,000 was covered by federal depository insurance and \$7,215,652 was uninsured and uncollateralized.

All special revenue fund investments are held in the name of the Saginaw County Treasurer; therefore, the insured amount of Road Commission investment is not determinable. Since the County has in excess of the \$100,000 limits, all Road Commission investments are presumed to be uninsured.

A summary of cash and investments follows:

The commission's deposits are categorized below according to level of credit risk:

- Category 1 represents Commission's insured or collateralized deposits with securities held by the Commission or by its agent in the commission's name.
- Category 2 represents the Commission's collateralized deposits with securities held by the pledging financial institution's trust department or agent in the Commission's name.
- Category 3 represents the Commission's uncollateralized deposits including any bank balances that are collateralized with securities held by the pledging financial institution's trust department or agent but not in Commission's name.

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 2—CASH AND INVESTMENTS (continued)

	Category			Bank Balance	Carrying Amount
	1	2	3		
Demand deposits	\$ 337,341	\$ -	\$ 100,000	\$ 437,341	\$ 100,091
Investment held by County	-	-	6,878,311	6,878,311	6,878,311
Cash on hand	-	-	350	-	350
Totals	<u>\$ 337,341</u>	<u>\$ -</u>	<u>\$ 6,978,661</u>	<u>\$ 7,315,652</u>	<u>\$ 6,978,752</u>

It is the policy of the SCRC to have investments made by the County Treasurer based on his/her judgment.

NOTE 3—CAPITAL ASSETS AND DEPRECIATION

Changes in capital assets for the year are as follows:

	Balance 10/1/2005	Additions	Retirements	Balance 9/30/2006
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 618,385	\$ 2,275	\$ -	\$ 620,660
Land and improvements, infrastructure	29,838,026	2,059,456	-	31,897,482
Total Land and Improvements	<u>30,456,411</u>	<u>2,061,731</u>	<u>-</u>	<u>32,518,142</u>
Other Capital Assets				
Buildings and improvements	2,538,656	-	-	2,538,656
Road equipment	11,202,684	825,303	(428,244)	11,599,743
Other equipment	885,352	97,388	(17,268)	965,472
Infrastructure and improvements	188,118,157	11,719,607	-	199,837,764
Total Other Capital Assets	<u>202,744,849</u>	<u>12,642,298</u>	<u>(445,512)</u>	<u>214,941,635</u>
Total Capital Assets	<u>233,201,260</u>	<u>14,704,029</u>	<u>(445,512)</u>	<u>247,459,777</u>
Accumulated Depreciation				
Buildings and improvements	1,878,342	59,038	-	1,937,380
Road equipment	8,273,821	1,115,115	(419,305)	8,969,631
Other equipment	466,742	102,167	(17,143)	551,766
Infrastructure and improvements	84,926,379	7,260,721	-	92,187,100
Total Accumulated Depreciation	<u>95,545,284</u>	<u>8,537,041</u>	<u>(436,448)</u>	<u>103,645,877</u>
Total Net Capital Assets	<u>\$ 137,655,976</u>	<u>\$ 6,166,988</u>	<u>\$ (9,064)</u>	<u>\$ 143,813,900</u>

NOTE 4—LONG-TERM LIABILITIES

The Road Commission pays 65% of accrued unused sick leave at retirement. The amount due at September 30, 2006 is \$414,523. Additionally, up to twenty days vacation may be carried over to a succeeding year, subject to certain restrictions. Accumulated vacation payable at September 30, 2006 is \$239,427.

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 4--LONG-TERM LIABILITIES (continued)

Following is a summary of long term liabilities for the year ended September 30, 2006:

	Balance 10/1/2005	Increase	(reduction)	Balance 9/30/2006
Accrued compensated				
absences	\$ 680,750	\$ 71,210	\$ 98,010	\$ 653,950
Total	<u>\$ 680,750</u>	<u>\$ 71,210</u>	<u>\$ 98,010</u>	<u>\$ 653,950</u>

NOTE 5--UNEMPLOYMENT COMPENSATION

The Road Commission is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the Road Commission must reimburse the Michigan Employment Security Commission for all benefits charged against the Road Commission. Unemployment expenses for the year were \$78.

NOTE 6--PENSION PLAN

Plan Description

The Road Commission's defined benefit pension plan provides retirement, disability, and death benefits to plan members and beneficiaries. The Road Commission participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board, Act No. 427 of the Public Acts of 1984, as amended by 1996 PA 220, establishes and amends the benefit provisions of the participants in MERS. The fiscal year for the retirement plan ends December 31. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

Funding Policy

The union members of the plan are required to contribute at a current rate of 4.7% of annual covered payroll. Management is currently contributing 2% of annual covered payroll. The employer contribution requirements are established and may be amended by the Retirement Board of MERS. The employee contribution requirements, if any, are established and may be amended by the Road Commission depending on the MERS contribution program adopted by the Road Commission.

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 6--PENSION PLAN (continued)

Annual Pension Cost

For the year ended September 30, 2006, the Road Commission's annual pension cost and required contribution was \$190,837. The required contribution was determined as part of the December 31, 2004, actuarial valuation using the entry age actuarial cost method. The Road Commission chose to make voluntary contributions in the amount of \$110,000 for the fiscal year ended September 30, 2006. The actuarial assumptions included (a) an assumed rate of investment return which is used to discount liabilities and project what plan assets will earn, the net long-term investment yield is assumed to be 8%, (b) a mortality table projecting the number of employees who will die before retirement and the duration of benefit payments after retirement, (c) assumed retirement rates projected when employees will retire and commence receiving benefits, (d) a set of withdrawal and disability rates to estimate the number of employees who will leave the work force before retirement, (e) assumed rates of salary increases of 4.5% to project employees compensation in future years and (f) no specific price inflation assumption was needed for this valuation, the 4.5% wage inflation assumption would be consistent with a price inflation of 3% to 4%. The actuarial value of MERS assets was determined on a basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect market value. The December 31, 2005 actuarial valuation reflects the following changes in actuarial methods: prospective adoption of 10 year smoothing, instead of 5 year, for calculating valuation assets, prospective gradual reduction of the amortization period for open divisions from 30 years to 25 years.

Three-year Trend Information

<u>Calendar Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
9/30/2004	\$ 118,458	1.51%	\$ 60,000
9/30/2005	\$ 165,246	1.46%	\$ 76,000
9/30/2006	\$ 190,837	1.57%	\$ 110,000

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 6--PENSION PLAN (continued)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Entry Age (b)	Unfunded (Over Funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/ (c)
12/31/2003	\$ 21,886,543	\$ 19,770,390	\$ (2,116,153)	111%	\$ 3,433,645	0.0%
12/31/2004	\$ 22,394,199	\$ 21,078,435	\$ (1,315,764)	106%	\$ 3,814,645	0.0%
12/31/2005	\$ 22,940,073	\$ 22,607,641	\$ (332,431)	101%	\$ 3,684,655	0.0%

The Road Commission's actuarial accrued liability is over-funded as of December 31, 2005, the date of the last actuary report.

NOTE 7--RISK MANAGEMENT

The Road Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters.

The Road Commission participates in the Michigan County Road Commission Self Insurance Pool (MCRCSIP), a public entity risk pool currently operating as a common risk management program for road commissions in the State of Michigan. The Road Commission pays an annual premium to SIP for its general insurance coverage. The MCRCSIP is self-sustaining through member premiums.

The Road Commission participates in the County Road Association Self Insurance Fund (CRASIF) for its workers' compensation benefits. The CRASIF is also a common risk management program for road commissions in the State of Michigan and is self-sustaining through premiums. In the event of unusually high claims, both the MCRCSIP and the CRASIF have the authority to bill the member road commissions retroactively.

During the year ended September 30, 2006, employees of the Commission were covered by the Saginaw County Road Commission's medical self-insurance plan. The Commission contributed approximately 93% per month per employee of the estimated "premium". The remaining 7% is paid through pretax payroll deduction. Claims were paid by Blue Cross Blue Shield of Michigan acting on behalf of the Commission.

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 7--RISK MANAGEMENT (continued)

The administrative contract between the Commission and Blue Cross Blue Shield of Michigan is renewable annually. Administrative fees and stop-loss premiums are included in the contractual provisions. The Commission was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Blue Cross Blue Shield of Michigan. Stop loss coverage was in effect for individual and aggregate claims exceeding \$15,000, which is based on a factor determined monthly by Blue Cross Blue Shield of Michigan.

Employees of the Commission are covered by the Saginaw Road Commission's prescription drug plan administered through ScriptGuide. The administrative contract between the Commission and ScriptGuide is renewable annually. Administrative fees are included in the contractual provisions. The Commission pays a monthly administrative fee and reimburses ScriptGuide for claims made by employees.

The Road Commission continues to carry commercial insurance for other risks of loss, including Commission's bonds and accident insurance.

NOTE 8--LITIGATION

The Road Commission is a party to various legal proceedings, which normally occur in governmental operations for which the Road Commission carries commercial insurance.

NOTE 9--POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 6, the Saginaw County Road Commission provides post-employment health, dental and life insurance benefits, in accordance with Saginaw County Road Commission's union contract Article 28, to all employees who retire from the Saginaw County Road Commission and qualify for benefits under MERS. Currently, 80 retirees' contracts meet those eligibility requirements. Coverage for non-union retirees is provided upon the discretion of management.

For those employees who terminate without retirement, healthcare benefits are terminated. At that time, the former employee has continuation rights to health insurance coverage under the COBRA law of 1985.

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 9--POST-EMPLOYMENT BENEFITS (continued)

The Saginaw County Road Commission pays approximately 93% of the cost for Community Blue PPO 2 for retired union employees, dependents and surviving spouses eligible to participate in the group plan. They may elect to buy up to Community Blue PPO 1 at 100% of the cost difference between PPO 2 & 1. They may also elect to buy down to Community Blue PPO 3 and be paid 50% of the difference. All are still required to pay 25% of the increase in premium from one year to the next no matter which PPO plan they choose.

The Saginaw County Road Commission pays 96% of the cost for Community Blue PPO 2 for retired management employees, dependents and surviving spouses eligible to participate in the group plan.

The Saginaw County Road Commission pays 100% of the cost for dental coverage for management and union retirees, dependents and surviving spouses eligible to participate in the group plan. The Saginaw County Road Commission also pays 100% of the cost for life insurance coverage for the employee/retiree only.

Expenditures for post-employment healthcare are recognized as claims or premiums as paid. During the year ended September 30, 2006, the cost of health, dental and life insurance benefits for retirees, dependents and surviving spouses was \$719,354.

NOTE 10--FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the year ended September 30, 2006, the Federal aid received and expended by the Road Commission was \$3,999,062 for contracted projects and \$0 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administered by MDOT (they are included in MDOT's single audit). Negotiated projects are projects where the Commission administers the grant and either performs the work or contracts it out. The Road Commission would be subject to single audit requirements if they expended \$500,000 or more for negotiated projects.

REQUIRED SUPPLEMENTAL INFORMATION

SAGINAW COUNTY ROAD COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Original Budget	Final Budget	Actual	Actual Vs. Final Budget Favorable (Unfavorable)
Revenue				
Federal	\$ 3,835,770	\$ 4,405,200	\$ 3,999,062	\$ (406,138)
State	14,091,865	15,000,677	14,928,154	(72,523)
County				
City and Villages	3,000	1,000	271	(729)
Township	2,000,000	2,100,000	2,174,084	74,084
Other government	51,000	90,000	127,686	37,686
Interest	100,000	180,000	245,148	65,148
Charge for services	90,000	120,000	118,651	(1,349)
Miscellaneous	10,000	39,000	34,041	(4,959)
Gain on disposal	20,000	90,000	75,970	(14,030)
Private source contributions	50,000	2,370,000	2,617,902	247,902
Total Revenue	<u>20,251,635</u>	<u>24,395,877</u>	<u>24,320,969</u>	<u>(74,908)</u>
Expenditures				
Construction/capacity improvements	3,167,937	6,256,348	5,966,226	290,122
Preservation/structural improvements	10,505,235	9,578,743	7,812,837	1,765,906
Preventive/routine maintenance	7,466,928	7,992,102	8,767,044	(774,942)
Administration	1,016,000	1,005,000	1,050,587	(45,587)
Capital Outlay-net	(250,000)	(275,000)	(360,417)	85,417
Equipment-net	170,000	281,307	381,769	(100,462)
Drain assessment	234,000	234,000	243,327	(9,327)
Other	-	87,000	89,321	(2,321)
Total Expenditures	<u>22,310,100</u>	<u>25,159,500</u>	<u>23,950,694</u>	<u>1,208,806</u>
Excess of Revenues Over (Under) Expenditures	(2,058,465)	(763,623)	370,275	1,133,898
Fund Balance, Beginning of Year	8,824,959	8,824,959	8,824,959	-
Fund Balance, End of Year	<u>\$ 6,766,494</u>	<u>\$ 8,061,336</u>	<u>\$ 9,195,234</u>	<u>\$ 1,133,898</u>

ADDITIONAL SUPPLEMENTAL INFORMATION

SAGINAW COUNTY ROAD COMMISSION
ANALYSIS OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCE--SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Appropriated		County	
	Primary	Local	Roads	Total
	Roads	Roads		
Revenues				
Federal				
Surface transportation				
program	\$ 683,024	\$ 152,249	\$ -	\$ 835,273
D funds	468,682	-	-	468,682
Bridge	-	2,695,107	-	2,695,107
Total Federal	<u>1,151,706</u>	<u>2,847,356</u>	<u>-</u>	<u>3,999,062</u>
State				
Engineering	6,649	3,351	-	10,000
Urban road	1,132,643	573,850	-	1,706,493
Allocation	7,576,384	3,817,674	-	11,394,058
Critical bridge	1,047,818	505,333	-	1,553,151
State bonus funds	-	-	56,827	56,827
Economic development fund	207,625	-	-	207,625
Total State	<u>9,971,119</u>	<u>4,900,208</u>	<u>56,827</u>	<u>14,928,154</u>
County				
City and villages	-	-	271	271
Township	28,260	2,142,647	3,177	2,174,084
Other government	-	18,981	108,705	127,686
Total County	<u>28,260</u>	<u>2,161,628</u>	<u>112,153</u>	<u>2,302,041</u>
Other				
Interest and rents	123,911	79,787	41,450	245,148
Charges for services	11,865	77,123	29,663	118,651
Miscellaneous	-	-	34,041	34,041
Gain (loss) equipment disposals	14,435	18,232	43,303	75,970
Private source contributions	-	2,617,902	-	2,617,902
Total Other	<u>150,211</u>	<u>2,793,044</u>	<u>148,457</u>	<u>3,091,712</u>
Total Revenues	<u>\$11,301,296</u>	<u>\$ 12,702,236</u>	<u>\$ 317,437</u>	<u>\$ 24,320,969</u>

See independent auditor's report on supplementary information.

SAGINAW COUNTY ROAD COMMISSION
ANALYSIS OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCE--SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Appropriated		County	Total
	Primary Roads	Local Roads	Roads	
Expenditures				
Construction/capacity improvements	\$ 489,574	\$ 5,476,652	\$ -	\$ 5,966,226
Preservation/structural improvements	4,737,093	3,075,744	-	7,812,837
Preventive/routine maintenance	3,382,241	5,384,803	-	8,767,044
Other				
Administration	401,152	649,435	-	1,050,587
Equipment	1,328,636	2,061,708	139,723	3,530,067
Less: equipment rental	(1,184,938)	(1,838,755)	(124,605)	(3,148,298)
Capital outlay	462,483	-	462,483	924,966
Less: depreciation credits and retirements	(244,223)	(308,492)	(732,668)	(1,285,383)
Drain assessment	60,832	182,495	-	243,327
Other Non-road	-	-	89,321	89,321
Total Other	<u>823,942</u>	<u>746,391</u>	<u>(165,746)</u>	<u>1,404,587</u>
Total Expenditures	<u>9,432,850</u>	<u>14,683,590</u>	<u>(165,746)</u>	<u>23,950,694</u>
Excess of revenue over (under) expenditures	1,868,446	(1,981,354)	483,183	370,275
Other financing sources (uses)				
Optional transfer	(2,500,000)	2,500,000	-	-
Fund Balance, Beginning	4,460,614	2,872,224	1,492,121	8,824,959
Fund Balance, Ending	<u>\$ 3,829,060</u>	<u>\$ 3,390,870</u>	<u>\$1,975,304</u>	<u>\$ 9,195,234</u>

See independent auditor's report on supplementary information.

SAGINAW COUNTY ROAD COMMISSION
SCHEDULE OF FEDERAL FINANCIAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Federal Grantor/Pass Through <u>Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Number</u>	<u>Federal Expenditures</u>
U. S. Department of Transportation Highway Research, Planning and Construction			
<u>Michigan Department of Transportation</u>	20.205		
		58269A	\$ 3,059
		54328A	399,758
		78319A	278,107
		78954A	1,967,103
		83811A	251,423
		83813A	223,768
		83814A	248,324
		86282A	4,488
		54328A	468,682
		78285A	53,221
		80630A	2,101
		86112A	99,028
			<u>\$ 3,999,062</u>

Note: Federal financial assistance, received under the highway planning and construction program, in the amount of \$3,999,062 was administered by the State of Michigan. The Road Commission has no responsibilities regarding fiscal or compliance controls over such assistance.

See independent auditor's report on supplementary information.



**Gardner | Provenzano
Schauman & Thomas**

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

January 11, 2007

Members of the Board
of County Road Commissioners
of Saginaw County
Saginaw, Michigan

We have audited the financial statements of the governmental activities of Saginaw County Road Commission, a component unit of Saginaw County, as of and for the year ended September 30, 2006, which comprise the Saginaw County Road Commission's basic financial statements, and have issued our report thereon dated January 11, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Saginaw County Road Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We

Members of the Board
of County Road Commissioners
of Saginaw County
Saginaw, Michigan
Page Two
January 11, 2007

Compliance

As part of obtaining reasonable assurance about whether Saginaw County Road Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of management and the Board of County Road Commissioners. However, this report is a matter of public record and its distribution is not limited.

Gardner, Dronenycamo, Selvaumman & Thomas, P.C.

Certified Public Accountants